

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF

AGBM 310: FINANCIAL ACCOUNTING

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 4/12/2017

8.30 A.M – 10.30 A.M

INSTRUCTIONS:

- **Answer question one and any other two questions**

1. (a) Explain at least five basic criteria according to IFRS 1 that accounting information should fulfill before it can be regarded as useful to internal and external users.

[10marks]

- (b) The following balances were extracted from the books of Nanak electrical as at 31st December 2012.

	KSH
Land and building	250,000
Computers	200,000
Motor vehicle	95,000
Office equipment	20,000
Good will	28,000
Stock of goods	100,000
Bills receivable	10,000
Debtors	188,000
Cash at bank	27,000
Cash in hand	15,000
Bank loan (5 years)	200,000
Creditors	70,000
Bills payable	42,000
Capital	321,000
Net profit	300,000

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You are required to prepare the statement of financial position of Nanak electrical as at 31st December 2012 using the vertical format. [10marks]

(c) Explain at least five accounting principles highlighting ,imitations of each. [10marks]

2. The following transactions are in respect of credit purchases and credit sales as recorded by Mambo, a sugar merchant during the month of November 2013.

October 2 bought 125 bags of sugar at 3,200 each from miwa sugar ltd.
4 Sold 80 bags of sugar at ksh 5,300 each to salim brothers.
5 Bought old furniture at ksh 7,000 from mbao carpenters on credit.
9 Returned 20 bags of sugar at their original cost to miwa sugar ltd.
14 Bought 30 bags of sugar at 3,000 each from Hamisi sugar ltd.
15 Sold a motor van for ksh 250,000 to ujuzi girls school on credit.
18 Sold 15 bags of sugar at 5,000 each to wote enterprises.
21 Accepted back 25 bags of sugar from salim brothers at their original cost.
23 Bought 35 bags of sugar at ksh 3,000 each from Hamisi sugar ltd.
24 Sold 20 empty bags at ksh 350 each to Dafana enterprises on credit.
28 Sold 100 bags of sugar at ksh 5,500 each to Wote enterprises.

Required :

- (a) The necessary entries in the subsidiary journals (including the journal proper) to record the above transactions. [10marks]
(b) The relevant ledger accounts to record the above transactions. [10marks]
3. (a) Distinguish between personal and impersonal accounts, real and nominal accounts. [8marks]

(b) The following transactions took place in the books of Jamia trades in the month of February 2012.

Feb

1 Balances brought forward – cash ksh 4,600: bank ksh 95,120.
2 A.B traders lent Jamia traders ksh 20,000 by cheque.
3 Mukuru who owed ksh 13,200 paid his account by cheque less 5% cash discount.

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- 4 Jamia taders paid ksh 2,400 by cheque for the business rent.
- 8 settled the following accounts by cheque;in each case deducting 2½ % discount; N.Kungu ksh 7,200, T.Mukati ksh 9,600, L.Opende ksh 16,000.
- 10 Paid vehicle maintenance expenses in cash ksh 880.
- 14 M.Oswe who owed kdh 1,540 settled his accounts after deducting ksh 60 discount.
- 15 Paid casual wages in cash ksh 3,200.
- 20 the following debtors settled their accounts by cheque.C.Waruinge ksh 5,200, R.Wabialiangah ksh 6,800, H.Wote ksh 9,200. Each one of them deducted 5% cash discount.
- 22 Withdrew from bank ksh 7,000
- 24 cash drawing by the proprietor of Jmia traders ksh 2,400.
- 25. Paid. J.Ponds ksh 2,660 after deducting cash discount of ksh 140.
- 29 Received commission ksh 1,760 by cheque.
- 30 Bought item of furniture for office use ksh 13,000.

Required :

Write up three column cashbook.

[12marks]

- 4. The following trial balance was prepared from the books of Rea vipingo, a sole trade for the year ended 30th September 2016.

	Ksh	Ksh
Capital		75,000
Fittings	56,000	
Stock 1 October 2015	3,600	
Sales		101,400
Purchases	80,000	
Sundry expenses	1,500	
Drawings	6,000	
Wages	2,500	
Discount allowed	3,350	
Returns inwards	4,400	
Discount outwards		1,825
Returns outwards		3,700
Debtors	42,500	

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Rent received		9,800
Creditors		20,000
Cash	11,000	
Bank	<u>875</u>	-----
	211,725	211,725
	=====	=====

The closing stock on 30th September 2016 amounted to ksh 26,000.

You are required to prepare

(a) Income statement for the year ended 30th September 2016. [10marks]

(b) Statement of financial position as at the same date. [10marks]
